

SEPTEMBER 20, 1983

OPENING REMARKS OF CHAIRMAN WILLIAM D. FORD
POST OFFICE AND CIVIL SERVICE COMMITTEE

AS A RESULT OF A PROVISION OF LAST YEAR'S SOCIAL SECURITY RESCUE LAW, NEW CIVIL SERVICE EMPLOYEES WILL BE REQUIRED TEMPORARILY TO CONTRIBUTE TO TWO PENSION SYSTEMS AFTER NEXT JANUARY.

UNDER THE LAW, THESE NEW WORKERS WILL BE FORCED TO CONTRIBUTE 7 PERCENT OF THEIR SALARIES TO THE CIVIL SERVICE RETIREMENT SYSTEM AND ANOTHER 7 PERCENT TO THE SOCIAL SECURITY SYSTEM, INCLUDING THE 1.3 PERCENT MEDICARE TAX THAT ALL FEDERAL EMPLOYEES MUST PAY.

THE COMMITTEE MEETS TODAY TO HEAR TESTIMONY ON THE PROJECTED IMPACT OF THESE DUAL CONTRIBUTIONS.

AT THE OUTSET, I WANT TO MAKE IT VERY CLEAR THAT THE DUAL CONTRIBUTION IS ONLY A TEMPORARY MEASURE UNTIL A SUPPLEMENTAL RETIREMENT PLAN FOR NEW EMPLOYEES CAN BE WORKED OUT. NEVERTHELESS, MEMBERS OF THE COMMITTEE SHOULD BE FULLY AWARE OF ALL THE NEGATIVE ASPECTS WHEN PROVISIONS OF THE SOCIAL SECURITY AMENDMENTS TAKE EFFECT EARLY NEXT YEAR.

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THE COMMITTEE SOME TIME AGO ASKED THE GENERAL ACCOUNTING OFFICE TO ANALYZE THE POTENTIAL EFFECTS OF THE NEW LAW. THE REPORT WAS RECEIVED AUGUST 31 AND HAS BEEN DISTRIBUTED TO COMMITTEE MEMBERS.

ONE OF THE GAO CONCLUSIONS DESERVES SERIOUS CONSIDERATION BY THIS COMMITTEE. THIS IS THE FINDING THAT THE DUAL CONTRIBUTION REQUIREMENT COULD MAKE IT MORE DIFFICULT TO RECRUIT AND RETAIN QUALIFIED INDIVIDUALS FOR THE FEDERAL SERVICE, PARTICULARLY IN SPECIAL PAY CATEGORIES, SINCE THE DUAL CONTRIBUTIONS WILL CAUSE A SUBSTANTIAL REDUCTION IN EMPLOYEES' TAKE-HOME PAY.

THIS IS OF SPECIAL CONCERN SINCE THE FEDERAL GOVERNMENT ALREADY IS EXPERIENCING PROBLEMS IN COMPETING WITH THE PRIVATE SECTOR FOR THE BEST QUALIFIED INDIVIDUALS.

I WOULD LIKE TO NOTE THAT EARLIER THIS YEAR I INTRODUCED A BILL (H.R. 3371) SPECIFICALLY TO ADDRESS THIS PROBLEM. IT WOULD GIVE NEW GOVERNMENT WORKERS A DOLLAR-FOR-DOLLAR TAX CREDIT FOR CONTRIBUTIONS TO THE CIVIL SERVICE RETIREMENT SYSTEM UNTIL A SUPPLEMENTAL PLAN CAN BE DEVELOPED.

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I ALSO WANT TO REMIND COMMITTEE MEMBERS THAT WE HAVE ENTERED INTO A CONTRACT WITH HAY ASSOCIATES, A PRESTIGIOUS CONSULTING FIRM IN THIS AREA OF EXPERTISE, TO ASSIST THE COMMITTEE IN DEVELOPING A SUPPLEMENTAL PROGRAM.

WE WANT TO MOVE ON THIS PLAN AS QUICKLY AS POSSIBLE. AT THE SAME TIME, HOWEVER, WE WANT TO ENSURE THAT WHEN THE PLAN IS FINALLY ENACTED INTO LAW IT WILL BE FAIR, FISCALLY SOUND AND DURABLE. I NEED NOT REMIND ANY OF YOU ABOUT HOW COMPLEX THIS PROBLEM IS.

WE ALSO HAVE AN OBLIGATION TO ENSURE THOSE COVERED UNDER THE CIVIL SERVICE RETIREMENT SYSTEM THAT THEIR PENSIONS WILL BE PROTECTED.

I AM CONFIDENT THAT AFTER HEARING TODAY'S WITNESSES WE WILL ALL HAVE A BETTER UNDERSTANDING OF WHAT IS AHEAD.

WITH THAT, I BELIEVE YOU, MR. BOWSHER, ARE FIRST UP AT BAT. YOU MAY PROCEED IN WHATEVER MANNER YOU CHOOSE.